

KEPPEL OPP'N EXH. 111

From: Jose Magela Bernardes <jm.bernardes@eigpartners.com>
To: Blair Thomas; Ronnie Hawkins
CC: Marcel Abe
Sent: 12/24/2014 6:31:44 AM
Subject: Re: Sete

Blair, Ronnie

Find below the latest developments on Sete:

Meeting between BNDES (President/Vice-president and team), Petrobras (Formigli – CFO) and Sete (Officers) was held last monday with the following discussions:

- o Sete/Petrobras requested BNDES for more flexible disbursement on a “per drillship” basis, instead of current 8-unit batch structure.

BNDES has not agreed to that; Lenders/BNDES requesting a minimum of 6 drillships (out of 8) to be included on batch 1 for disbursement.

- o Petrobras is adamant on their position regarding their 3 batch-1 drillships (won’t sign the AMA/operational agreements under current conditions).

- o BNDES informed new deteriorated conditions will require \$703M of additional equity, decreasing leverage to 63% - note: this needs to be further explained by BNDES, including assumptions used for their financing model.

- o Sete suggested the following in order to advance with the discussions:

- § Sete will work on a new composition for batch 1, replacing 3 units from Petrobras with other units.

- § BNDES to push Banco do Brasil to approve the additional bridge loan.

CEF/UTF haven’t yet been communicated by Sete about potential adjusted on financing conditions. The bridge lenders have been updated on current situation. Focus has been on Itau, since they have declared their bridge loan will have to be prepaid in case contracts with operators Odjfell/Seadrill are not executed by Dec-31-1.

Most of remaining committed capital was called yesterday; expected disbursement on Jan.07.2015. Total amount: R\$1,883M (~\$697). EIG’s share: R\$115.7M (~\$43M).

e will keep you informed this unfolds.

ave a great Christmas.

agela

From: Jose Magela Bemardes <jm.bernardes@eigpartners.com>
Sent: Dec 19, 2014 3:48 PM
To: Blair Thomas

Cc: Marcel Abe <Marcel.Abe@eigpartners.com>; Ronnie Hawkins
Subject: Re: Sete

Blair,
find below the latest developments on SETE:

- Petrobras board decided yesterday evening to reject the negotiations done between Petrobras and SETE in which the Petrobras operation contracts (system 1; 7 rigs) would have an adjustment of the daily rates from \$458 thousand to \$515 thousand (note: this negotiation is taking place for quite some time such that Petrobras could migrate from system 1 to 2 where the other rigs are while compensating certain opex, capex and non productive time adjustments - this negotiation was positive for SETE and was under the presumption that Petrobras would support changes in the daily rates to compensate SETE IRR dilution).
- The BNDES financing model had taken into consideration the above negotiate daily rate increase. For the first batch, Petrobras have 3 rigs.
- SETE management discussed with Petrobras senior management today (Formigli and Barbassa) and Petrobras position is definitive. They argued that with current Car Wash investigations, Petrobras cash situation and international rig rates falling down it would be extremely hard for them to approve any improvements in the rig rates without potential future negative consequence to board members.
- SETE management is setting up a meeting with Luciano Coutinho (BNDES CEO) today to discuss the Petrobras decision and to seek potential solutions (e.g. LT financing without the 3 Petrobras rigs, bridge, etc).
- SETE will keep shareholders aware of developments as they happen.
- All shareholders are not happy with this outcome. We had a productive meeting with Petrobras board representative expressing his (board member) opinion - in agreement with shareholders but also stating the difficulties Petrobras management is facing at this moment.

I will keep you informed as this progresses.

best regards,

Magela

On Dec 17, 2014, at 9:36 PM, Jose Magela Bernardes <jm.bernardes@eigpartners.com> wrote:

Blair,

We just finished the board meeting with the following new information:

- Meeting held between Graça (Petrobras President) and Dilma Rousseff on SETE matters took place and Dilma instructed BNDES and Banco do Brasil to act quickly and resolve pending issues.
- Luciano Coutinho (BNDES president) called, yesterday evening, Carneiro (SETE CEO) to say that BNDES had approved the structure of the long term financing. BNDES, understanding that the risk of the operation has changed, will increase the interest rate consequently decreasing some \$170 million of the total financed amount (debt coverage).
- BNDES have received the AGU (Union Legal) opinion that they can finance without prejudice. - SETE is

finalizing the operations agreement and SHA with operators as pending CP's for BNDES.

- BNDES 1st money estimated for early February.
- Luciano Coutinho has called Mr. Setubal (Banco Itau) and convinced Itau to roll over their bridge (starting tomorrow new period). Itau imposed a CP that operations agreement and SHA with operators shall be done by end of the year otherwise bridge will be collected.
- Banco do Brasil is being a bit more difficult as senior management claims they will not by-pass any of their internal processes. SETE seems confident BB will give the R\$800 million bridge at the end of the month.
- SETE is delaying payments to some shipyards (justified by construction delays) and are negotiating with others to delay payment till February.
- SETE will call the remaining committed capital by shareholders.
- FINISA LT financing ready, waiting for BNDES - it will be done simultaneously.

SETE can "survive" at best till end of January without any further injection of new capital or LT financing granted.

regards,

Magela

On Dec 17, 2014, at 8:46 PM, Blair Thomas <Blair.Thomas@eigpartners.com> wrote:

Any update on financing and liquidity?

<image001.jpg>

R. Blair Thomas > Chief Executive Officer > blair.thomas@eigpartners.com

1700 Pennsylvania Ave. NW > Suite 800 > Washington, DC 20006 > (o) 202.600.3301 > (f) 202.600.3401

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